

# Annual Report 1980

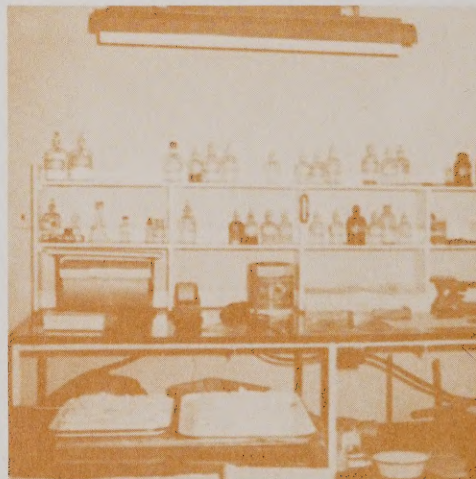


National  
Sea Products  
Limited



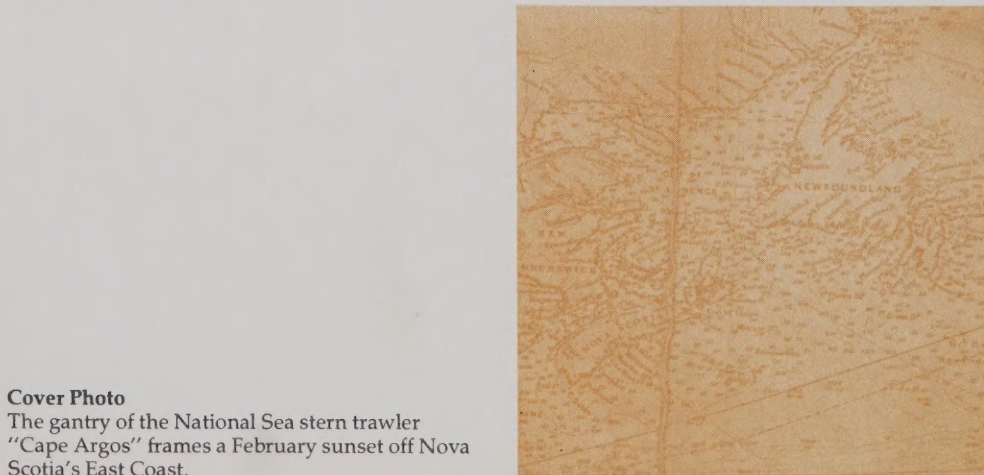


**National Sea Products Limited**  
**. . . building for the future on**  
**the foundation of the past.**



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**Cover Photo**  
 The gantry of the National Sea stern trawler  
 "Cape Argos" frames a February sunset off Nova  
 Scotia's East Coast.



National Sea Products Limited is the largest diversified and fully integrated company in the Canadian fishing industry. Our business is the harvesting, processing and marketing of top quality seafood products. The Company maintains its own fleet of fishing vessels, operates 20 processing plants in Atlantic Canada and two in the United States, and employs over 7,000 people in full-time and seasonal positions. A publicly

owned company, National Sea's shares trade on the Toronto and Montreal stock exchanges.

The Company enjoys an international reputation for top quality seafood products. Our High Liner® brand is the market leader in Canada, and is well-known in many other countries around the world. At National Sea, we are committed to maintaining and enhancing this reputation.

## The Year's Highlights

National Sea Products Limited  
Head Office Duke Street Tower  
Scotia Square, Halifax, Nova Scotia

(All amounts in thousands, except as indicated +)	53 weeks to January 3 1981	52 weeks to December 29 1979
Net Sales	\$274,447	\$268,057
Net Income	\$ 2,484	\$ 8,503
Earnings per Common Share		
Before extraordinary items	+ \$0.51	\$1.72
After extraordinary items	+ \$0.51	\$1.81
Dividends paid per Common Share A	+ 40.0c	40.0c
Dividends paid per Common Share B	+ 40.0c	40.0c
Cash Flow	\$ 5,837	\$ 17,941
Cash Flow per Common Share	\$1.24	\$3.85
Working Capital	\$ 13,215	\$ 20,834
Ratio of Current Assets to Current Liabilities	+ 1.14	1.26
Fixed Assets, net of depreciation	\$ 88,676	\$ 68,500
Common Shareholders' Equity	\$ 39,584	\$ 39,060

Cash flow figures for 1979 have been restated.



# Directors' Report to the Shareholders



Despite major setbacks during 1980, your Company has maintained its position as a leader in the Seafood Industry in Canada. We have continued to do what we do best — harvest, process and supply top quality seafood products to our domestic and international customers.

National Sea Products has endured much in the past twelve months. There were two costly and crippling strikes, the loss of a plant through fire, the loss of a modern trawler, the tragedy of a collision at sea with the loss of four seamen, and the negative effects of rapidly escalating costs at a time when it was difficult to increase prices.

While Canada has control of the 200 mile economic zone off our coasts, the various segments within the industry have difficulty in agreeing on how the resource should be shared. The growing imbalance among these segments is having a detrimental effect on our year-round operations. This situation is presently under review by the Federal Department of Fisheries and Oceans and we are hopeful a more balanced industry will be the end result.

In the meantime, because we are capital, labour and energy intensive and highly

regulated, our industry becomes more complicated every year.

## Financial and Operating Results

Our 1980 results were not satisfactory. Sales and other revenue increased from \$268,057,000 for the 52 weeks in 1979 to \$274,447,000 for the 53 weeks of 1980. We did not obtain the sales growth we anticipated partly due to lower production caused by two strikes in Newfoundland and our inability to increase some of our prices. We did, however, enjoy favorable foreign exchange rates throughout the year. This was more than offset by increased costs in all sectors of the business, particularly energy and high interest rates. Interest on short term debt increased to \$7,448,000 from \$4,071,000 in 1979.

Net income was only \$2,484,000 compared with \$8,503,000 in 1979. Two unusual occurrences, the loss of the Cape D'Or II by sinking and the Lockeport Plant by fire enabled the Company to report a net income because insurance claims exceeded the book value of the assets net of taxes by \$3,535,000. Income from insurance operations amounted to \$1,235,000. We regret to report that our fishing and processing operations suffered a net loss of \$2,286,000 compared with a net profit of \$7,317,000 in 1979.

After paying regular dividends on preference shares, earnings amounted to \$0.51 per common share in 1980 compared to \$1.81 in 1979. Cash flow amounted to \$1.24 per common share in 1980 compared to \$3.85 restated in 1979. In August a dividend of \$0.40 was paid on each common share.

The introduction of several new products helped the Company to increase its share of the domestic market. During the latter part of the year these new products were introduced into the United States market and initial results were gratifying. We only maintained our position in the international market, but there is a potential for increasing sales, especially in Europe, provided we have a reasonable access to the resource and are permitted to use technology such as factory freezer vessels in order to improve quality.

We strongly support the Federal Government's efforts to further improve the quality and reputation of Canadian seafood products. A real effort must be made by

processors, fishermen and government if we are to expand our markets. Practices such as landing of ungutted fish by some vessels must be eliminated even if it requires legislation by the Federal Government.

Our affiliated companies involved with fishing operations did not have a good year. At the time of writing this report and pursuant to the request of the Newfoundland Government, we are actively negotiating to purchase the Government's share of Burgeo Seafoods Limited. Our Bermudian insurance operation was the most profitable of the affiliated companies.

We regret to report the death in January 1981 of J. H. Rigg who had been the Managing Director since 1973 and President since 1978 of Hamilton Insurance Brokers Limited and subsidiary companies in Bermuda. Under his leadership these companies experienced considerable growth. He will be greatly missed and at the time of writing this report his successor has not been named.

Fixed Asset additions amounted to \$28,586,000 in 1980 compared with \$31,528,000 in 1979; \$18,318,000 of this amount was for the completion of three new stern trawlers delivered from Japan and progress payments on three additional trawlers being built in Halifax. The balance was spent on the completion of the major addition at Lunenburg, new buildings and equipment at Shediac, the commencement of construction at Tampa and the modernization and upgrading of equipment at our many plants.

We are extremely pleased with the three trawlers delivered from Japan. The Cape Fame, Cape Beaver and Cape Lance are all fishing efficiently and some of their new design features have been well worthwhile. All those persons involved with the design and the construction of these vessels deserve congratulations on a job well done. There is no question in our minds that these Cape Fame class trawlers are ideal for the Canadian offshore industry and rank with the best wetfish trawlers in the world.

The costs of new plants and trawlers are increasing to the point where it is becoming extremely difficult, if not impossible, to be confident that an adequate return can be realized on this type of investment. Over the years, various Government policies have



been introduced which are meant to be helpful to the maintenance and expansion of productive capacity.

The fishery, which is a renewable resource, is affected by two such policies intended to support capital projects; these are the investment tax credit and the accelerated capital cost allowance (depreciation) of 33 $\frac{1}{3}$ % on Canadian built trawlers. These policies need to be reassessed if they are to be effective.

While the investment tax credit has received wide public exposure, it is of doubtful value in a cyclical industry such as ours. That is, it is only available for a limited time (five years after the year of acquisition) and only partially reduces taxes otherwise payable. Further, when utilized it reduces the cost of the asset for tax purposes which, in effect, makes it in part a tax deferral only rather than a permanent tax saving. Note 5 of the financial statements illustrates the limited usefulness of these credits as an incentive. In addition, it is almost impossible to determine the effect of the credit on a proposed investment because of the considerable uncertainty as to when and whether or not the credit can be utilized. The accelerated capital cost allowance of 33 $\frac{1}{3}$ % on Canadian built trawlers, while useful, does not compare to the 100% write-off available on exploration undertaken by mining and oil and gas industries.

### **Work Stoppages**

Work stoppages in 1980 began with a dispute between the Federal Department of Fisheries and our Nova Scotia trawler captains over the Fisheries Management Plan which idled the Nova Scotia plants until late January. A trawlermen's strike in Newfoundland kept the Newfoundland plants idle from the beginning of the year until mid February. An untimely strike of six weeks' duration by the inshore fishermen of the Province of Newfoundland, during the height of their fishing season, cut off a major source of raw materials for the Newfoundland operation. A major work stoppage took place in our St. John's Plant which forced cessation of fishing operations from that port for a period of close to five months. This was an unnecessary event resulting in substantial losses for the Company, the workforce and our

fishermen. Philosophical differences between the parties will likely see the continuation of an unsettled labor picture in Newfoundland for some time to come. In spite of these difficulties, we consider our relationships with the workforce and our fishermen to be at a high level.

### **New Investments**

To date we have invested \$1,758,000 as part of our 20% investment in a new Uruguayan fishing venture, Astra Pesqueras Uruguayas S.A. National Sea is a technical as well as an equity partner and, while the new plant is still under construction, the new fleet of modern stern trawlers is now fishing well but landing elsewhere. The meal, oil and ice plants will be completed about May, 1981 and the processing plant itself should be completed no later than August, 1981.

During the year, your Company made a commitment to another major expansion of our Tampa shrimp facility. We entered into a long term lease of the adjacent land to our existing plant and have commenced a \$3,500,000 expansion of cold storage, processing and employee facilities. This expansion is expected to be completed late in 1981.

The joint venture with Edgells Division of Petersville Australia Pty. Limited, known as International Sea Products Pty. Limited, had a successful mid-year startup in its new plant located in Bathurst, Australia. The plant, even with the usual startup expenses, is showing a profit.

An additional \$5,000,000 has been invested in Cambridge Reinsurance Limited of Bermuda through Hamilton Insurance Brokers Limited, its parent company, bringing Cambridge's total capital up to \$10,000,000. This additional investment is in keeping with the Company's policy of expanding its only major diversification outside of the seafood industry.

### **Employees' Savings and Profit Sharing Retirement Fund**

Due to the fact that the Company suffered an operating loss during 1980 there was no contribution to the Employees' Savings and Profit Sharing Retirement Fund. This is only the third time in 18 years that there has been no Company contribution. Despite this, however, our fund continues to grow.

During the past year its total value increased by \$978,813 to \$11,913,539. This gain took place in spite of withdrawals from the fund of \$2,235,576. Membership in the plan at December 31, 1980 was 2,419.

### **Directors**

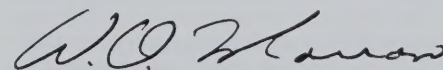
Last August your Company, as well as the financial community of Nova Scotia, was greatly saddened with the passing of Percy J. Smith of Halifax, Nova Scotia. Mr. Smith was one of the founding Directors of National Sea Products Limited and his advice and guidance over the past 35 years contributed greatly to the growth of the Company throughout its history. He will be very much missed from our Boardroom.

Mr. H. B. Rhude, Q.C. resigned as a Member and Chairman of the Executive Committee due to his other heavy business commitments. However, he continues to be Chairman of the Board of Directors. During the year, Mr. J. W. E. Mingo, Q.C. was appointed a Director and Chairman of the Executive Committee in place of Mr. Rhude.

### **In Appreciation**

This past year was not only a difficult one for the Company and its shareholders but also for our employees and fishermen who had to share many of the same frustrations.

The Directors wish to express their appreciation to all who supported the Company's efforts in a loyal and dedicated manner. With this type of co-operation we feel confident in facing the challenges of the year ahead.



W. O. Morrow  
President



The beginning — the W. C. Smith & Company Limited building, Lunenburg, the turn of the century.



At the end of the last century, the Nova Scotia town of Lunenburg was world famous as a leading fishing port, producing high quality salt fish for southern markets. W.C. Smith & Company Limited, a young firm involved in the outfitting and managing of a small salt fishing fleet, was incorporated there on December 12, 1899. Of the eleven original shareholders, seven were Smiths, all descendants of an English army officer who had come to Lunenburg with the first settlers in the 1750's.

In the eighty-one years since that incorporation, the fortunes of Lunenburg and those of the fishing industry have changed dramatically. Through a series of expansions, mergers and acquisitions, W.C. Smith & Company Limited became National Sea Products Limited, the largest diversified and integrated fishing company in Canada. The last of Lunenburg's salt bankers, now tied up at the wharf of the Fisheries Museum of the Atlantic, has been replaced by boats of inshore fishermen and National Sea's multi-million dollar fleet of wetfish trawlers. The town is home to one of the most modern seafood processing plants in the world, National Sea's Lunenburg Division, which employs over one thousand people. The original eleven shareholders, with their paid up capital of \$15,000, were the forerunners of a company that today is one of two publicly owned fishing companies in Canada, with shareholders' equity of \$41,513,000.

National Sea maintains an interest in salt fish, but today, the Company's main emphasis is the marketing of a full range of seafood products in 26 countries around the world. The Company maintains processing plants in Newfoundland, New Brunswick, Prince Edward Island and Quebec, as well as in Nova Scotia. National Sea also owns two processing plants in the United States, one in Rockland, Maine, and the other in Tampa, Florida. Many of these plants operate on a year-round basis, providing steady employment to thousands of workers and continuous product supply to many valued



customers.

The Company policy of investment in plants, vessels, equipment and manpower has resulted in the up-to-date catching, processing and marketing methods so necessary in the highly competitive fishing industry. As well as investing at home, National Sea has invested overseas in a move to diversify and benefit from the expertise of the Company and its associates. The Company is a partner in International Sea Products Pty. Limited in Australia, and has an investment in an integrated fishing company in Uruguay, Astra Pesqueras Uruguayas, S.A.

Despite economic conditions that are often difficult, National Sea Products

The Duke Tower, Scotia Square, Halifax, where National Sea's Head Office is now located.

Limited continues to invest in the future of the Canadian fishing industry. The Company believes that only in this way can it help Canada take her rightful place as one of the foremost fishing nations of the world.





A sack race at the Company picnic, 1947.



The Splice, an original oil painting by Al Chaddock, 40 inches high by 33 inches wide, now in the permanent collection of the Confederation Art Gallery, Charlottetown, P.E.I. — from a scene aboard a National Sea trawler.

The Company provides year-round employment where feasible and is committed to good labour relations. Competitive wages, decent working conditions and a comprehensive program of employee benefits, some unique in the industry, make National Sea a good place to work. The Company is proud of its employee newspaper, the "High Liner", which this year published a special supplement on the new Fame class trawlers. The National Sea Scholarship Awards, open to the children of employees and crewmen on Company vessels, assisted five 1980 winners to attend university through \$1,500 entrance scholarships. To mark retirements, long service anniversaries and other noteworthy occasions, National Sea has a series of special employee awards.

In an effort to reach out to the next generation of employees and consumers, National Sea this year provided copies of its corporate film "Long Way From Yesterday" to the education departments of the five Atlantic provinces. Teachers borrow the film for classroom instruction, and the Company provides additional material on harvesting, processing and marketing of fish in its Schoolchildren's Information Kit.

Progress depends on both people and technology. National Sea is fortunate to be able to combine the two successfully.

There is an old saying that the more things change, the more they remain the same, and this is certainly true of the fishing industry. Captains still rely on skill and experience as well as their sophisticated instruments, employees in modern plants fillet fish by hand as well as machine, and certain communities depend on the fishery as much today as they did generations ago.

National Sea Products has invested heavily in the new ways. The Company has changed with the times, but its dependence on its skilled workers is one thing that stays the same. The Company is one of the largest employers in the fishing industry in

Canada. In 1980, National Sea paid over \$73,000,000 to plant workers, office workers and crew members on Company vessels. This dependence on people extends beyond the Company's direct workforce. National Sea purchases almost half its raw material supply from thousands of independent fishermen. Many of these people rely heavily on being able to sell fish to National Sea, and the Company, in turn, could not operate successfully without them.

With millions of dollars in wages and payments being made, National Sea has a tremendous impact on the areas in which it does business, and is mindful of the social obligations this implies.



The Theresa E. Connor, the last of the salt bankers, now a floating exhibit at the Fisheries Museum of the Atlantic, Lunenburg.



National Sea Products operates a fleet of over fifty vessels, which, in 1980, provided over half the raw material supply to Company operations, utilized the services of 750 crew members and generated a payroll of \$11,500,000 dollars.

Two things are dependent on the year-round operation of such a fleet . . . the acquisition and servicing of the long term financing needed for fleet renewal, and the year-round production of top quality seafood that guarantees the markets of both inshore and offshore sectors of the industry. The long term planning essential to the management of the fleet has been made increasingly difficult by the growth, complexity and sometimes unpredictable character of government regulations. These policies have limited the catch of the offshore fleet, changed its traditional fishing grounds and called into question the year-round operation of the shore plants it supplies.

Recent federal fishing plans have forced the offshore fleet to make longer and costlier trips to distant and sometimes dangerous waters. In fact, 1980 saw the sinking of the Cape D'Or II and the near loss of another Company trawler in treacherous ice conditions off the Labrador coast. Fortunately, no lives were lost.

National Sea firmly believes in proper management and conservation of the resource, and the right of the inshore sector to its fair share. However, the Company believes that current government policies jeopardize the continued existence of a Canadian offshore fleet. This is not in the best interests of either the inshore fishery or the Canadian exploitation of the fish stocks in the Canadian management zone.

National Sea continues to upgrade and replace its fleet, seek factory trawler licenses from the federal government (so far without success) and operate its trawlers in northern waters — simply because this is required to ensure a steady supply of fish to our year-round plants. These plants are essential to both the economic prosperity of the communities in which they are situated



and the processing and marketing operations of the Company.

The Company was pleased to take delivery in 1980 of the three new wetfish trawlers built in Japan — the Cape Beaver, the Cape Fame and the Cape Lance. These modern vessels will be followed by three sister ships currently being constructed in Halifax.

National Sea's fleet is manned by a highly skilled group of people. The captains, mates and crews of Company vessels spend much of their working lives away from home, often in rough weather conditions, hunting an elusive quarry. Their hard work and persistence help make National Sea Products an internationally competitive

The Cape Fame, part of the latest fleet replacement program, delivered to the Company in August, 1980.

fishing company, the Canadian industry leader.





Fish drying on a flake — the traditional method still in use today.



Sun and salt were the tools of the processing trade years ago, and even in today's industry, some fish is put out to dry on flakes. Most of it, however, is now processed in modern plants under carefully controlled conditions.

At National Sea, processing includes the packaging and shipping of fresh fish, and filleting and preparation of fish for marketing in frozen, smoked, salted, pre-cooked, breaded and canned forms, as well as in the popular frozen entrée form. In addition to lobster and groundfish such as cod, haddock, sole, halibut, Boston bluefish and ocean perch, the Company processes scallops, shrimp, crab, squid, herring, mackerel, fish meal and oil.

National Sea operates twenty-two processing plants in North America; twenty in Atlantic Canada and two in the United States. Twelve of these plants operate year round, giving steady employment to thousands of workers. Those facilities that are located on harbours ice-bound during winter months operate on a seasonal basis. The Company invests heavily in all these facilities, constantly upgrading the machinery, modernizing processing equipment and expanding where necessary. In 1980, these capital

expenditures amounted to \$10,268,000.

In 1964, when National Sea's Lunenburg Division plant at Battery Point was opened, it was heralded as the "largest, most modern processing plant in the world". Sixteen years later, as a result of the Company's ongoing program of investing in plants and equipment, the statement still holds true. The second major Lunenburg expansion was completed in 1980, adding a new cold storage facility, dry storage space, a Technical Centre, a new processing line which pre-cooks, freezes and packages seafood products, a new seafood entrée line, a new loading dock and additional modern employee facilities. As well, a conveyor unloading system for Cape Fame and Cape Fox class trawlers has been installed.

Construction at Shediac Division resulted in the completion of a canned product warehouse and office building, and modern quality assurance laboratory. The restoration and upgrading of a second marine railway was accomplished at National Sea Products Inc., at Rockland, Maine, and crab processing equipment was installed at the Amherst plant. An expansion at Tampa, Florida, will result

**National Sea's Lunenburg Division, the largest seafood processing plant in North America.**

in an addition to the cold storage facility, part of the Company's ongoing refrigeration upgrading program.

National Sea's joint venture plant in Australia, International Sea Products Pty. Limited, was officially opened in April, and now produces fish fingers and battered and breaded fish portions.

Fish, though a renewable resource, exists in delicate balance between man and nature. As Canadians, we must take the greatest care to ensure the full utilization of every pound we catch. National Sea's facilities are such that quick, efficient processing results in the highest possible quality of finished product, whether it's intended for the home, the food service trade, or industry.



A product billboard in Toronto in the 1920's. Sea Seal was a forerunner of the High Liner brand.



Recent additions to the High Liner family of quality fish and seafood products.



approximately seventeen pounds (edible weight) per person per year. While this is substantially below the consumption in many other countries, Canada is nevertheless one of the few nations where the per capita consumption of fish has undergone a dramatic increase in recent years. However, Canada's population is only 24,000,000 and, therefore, Canadians must export in excess of 80% of their fish products to the United States and many other countries around the world.

Many of National Sea's export markets are difficult to service, due to high tariff barriers that restrict imports, and other constraints. Yet, in both 1978 and 1979, Canada was the number one fish exporter in the world, with National Sea Products a major contributor to the achievement of that position. During 1980, National Sea's domestic and international marketing people developed new sales for Company products both at home and abroad, participating in various food fairs, such as the SIAL exhibition in Paris. Government export development programs, too, have proved useful in augmenting Company initiatives.

Overall, the prospects for global fish marketing are good, as seafood products become increasingly important in satisfying the dietary protein requirements of a hungry world. National Sea, because it is international in scope and vision, will continue to be a market leader, delivering the top quality product today's consumer demands.

One of the major benefits of being a vertically integrated Company is that National Sea Products Limited is able to maintain a prominent position in the marketplace. It can do this because the Company can provide, on a year-round basis, the quality product demanded by today's customer.

The consumer of the 80's is more aware of the nutritional benefits of eating high protein seafood and more adventurous when it comes to trying the various products that are currently on the market. At National Sea, strong product advertising programs, including those featuring the now famous "Captain High Liner"®, make the Company products well known in

both retail and food service markets. Timely product and marketing innovations, like the Fillets in Sauce line of frozen entrées, cater to the growing segment of busy working people.

National Sea's popular food service pack of Party Snacks™ was introduced to the retail market in 1980, as were the tasty and convenient Captain Burger™ breaded fish fillets and a new canned item, Crab Pâté.

Even with the benefits National Sea enjoys because of its hard earned reputation for premium products, marketing in these times is a challenge. The latest available figures indicate that the amount of fish Canadians consume, both inside and outside the home, is



Quality Control then — an old National Sea Laboratory.



And now — the Company's brand new laboratory in the Technical Centre, Lunenburg Division.

plants is the fourth major concern of the research and development program.

In conjunction with this important work, National Sea instituted three awards in 1980, aimed at focusing attention on energy conservation achievements. The first award will go to the National Sea division which shows the highest overall percentage reduction in its 1980 total energy consumption. The second award, to the National Sea Products Conservationist of the Year, will be given to that individual judged to have made the most significant contribution to the Company's conservation program. The third award will be for the Best Energy Conservation Suggestion.

In addition to these programs on National Sea trawlers and in National Sea plants, the Company maintains two centrally located quality assurance laboratories, one at Lunenburg and one at Shediac, which constantly monitor fresh, frozen, smoked, salted, cooked and canned products from all divisions.

A top quality product is the only product that can compete successfully in the export market, and this market is essential to the future of Canada's fishing industry. It is encouraging to note Canadian fishing technology has improved substantially in recent years, and National Sea is confident that, with continued investment in the crucial field of research and development, the Company can more fully utilize its valuable resources and operate successfully in the international marketplace.

The twin areas of Research and Development are of vital importance to National Sea Products, operating as it does in an environment of scarce resources, soaring energy costs and sophisticated foreign competition.

With the joint founding of a new research and development company, which came on stream in 1980, National Sea is concentrating on four fundamental areas where progress can be made. The first one, Quality Improvement Technology, examines ways in which technology from other areas of the food industry can be applied to the fishing industry. With quota restrictions on most fish stocks, it is imperative that each and every fish

preserve its high quality throughout both the vessel handling and processing stages, and return the maximum yield to the Company and the consumer.

The second area, Process Development, includes research into the different methods of fish processing and attempts to find and implement improved equipment and handling systems.

New Product Development, the third main area, examines possible variations on current products and seeks to bring totally new seafood products into National Sea's retail and food service lines.

Fuel and energy conservation on Company trawlers and in Company



An old sea chart of the Atlantic fishing grounds.



Few Canadian industries have as long and colourful a history as the fishing industry, but the days of wooden ships and iron men are passed, and the fishery, for the most part, can no longer remain a cottage industry.

Today, not only companies like National Sea, but all segments of the industry must plan for the future if they are to meet the challenges of the modern world. Canada must not follow a path of development in the 1980s that sees the individual short term goals of various interests take precedence over the larger and longer term benefit of an internationally competitive fishing industry. Plantworkers, fishermen, unions, associations, companies and governments must all work together if this common goal is to be achieved. There are many matters which are cause for concern: quota allocations, over-the-side sales, jurisdictional problems, quality enhancement needs, employee expectations. All of these and many more must be dealt with so that the Canadian industry can reach the full potential promised by the creation in 1977 of our own 200-mile ocean management zone.

The population of the world continues to grow, and more countries are now looking to the sea to supply the food that agricultural methods alone cannot adequately provide. We are fortunate that in Canada, the resource projections for fish stocks off our East Coast are encouraging. As a fully-integrated Company with international marketing expertise, National Sea can help close the gap between Canada's supply of fish and the nutritional demands of the rest of the world.

At National Sea, we believe in the future. The Company has tried to follow the dictates of honesty, common sense and fairness in all its business dealings, and will continue to do so. The Company has endeavoured to serve the best interests of all the people who depend upon it — the shareholders, the employees and trawler crews, the independent fishermen who supply much of National Sea's raw material, the communities whose economies rely



heavily on the Company's presence. National Sea has done this by adapting to a changing world. The Company has invested heavily in new plants and equipment, new technology and skilled manpower. Modern trawlers and quality assurance laboratories have been built. Employee training and job enrichment programs have been undertaken. A new research and development company has been founded. Strong marketing initiatives have made the Company's High Liner® brand products known and trusted in many countries around the world. Quality control and quality enhancement programs make sure the Company products are worthy of that

**The world markets — the key to the future.**

trust. As well as at home, National Sea has invested overseas, drawing on the expertise of others, who, in turn, have benefited from the Company's experience.

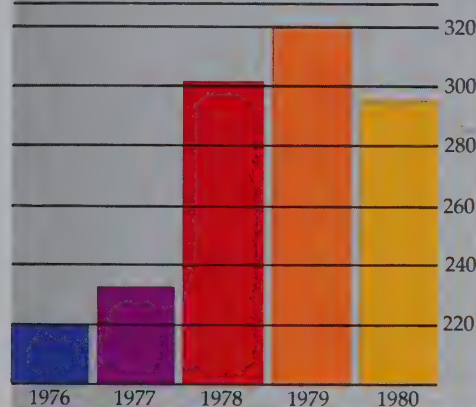
The Company is convinced that this commitment to investment is the only realistic way to secure the future . . . a future built by National Sea Products on the strong foundation of the past . . . a future that will benefit both the Company and the national interest.



# Operating Results

## Reduced Landings

(in millions of pounds)

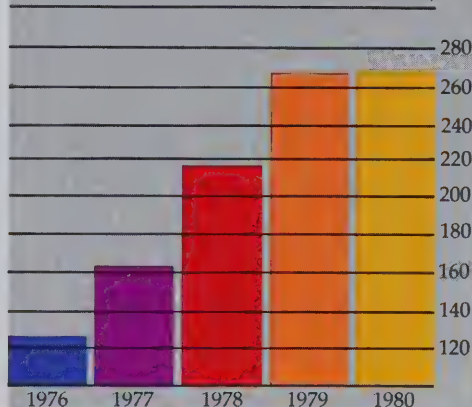


## Fish Landings

Landings declined in 1980 by 7.5% from the previous period to 295,000,000 lbs.

## Level Sales

(in millions of dollars)

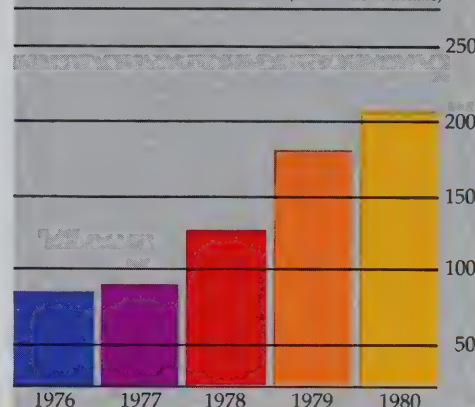


## Net Sales

Sales increased fractionally to \$274,447,000 on a 53 week period in 1980 from \$268,057,000 on a 52 week period in 1979.

## Increased Investment

(in millions of dollars)

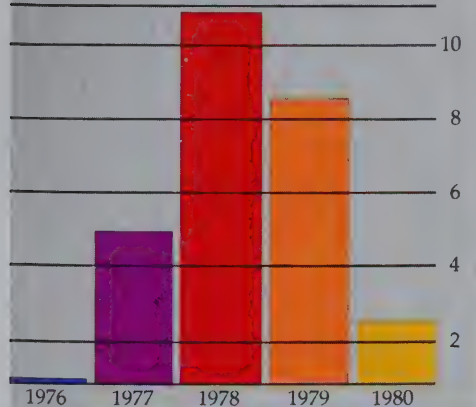


## Total Assets

The Company invested \$29,007,000 in maintenance and expansion of productive capacity in the period.

## Reduced Earnings

(in millions of dollars)

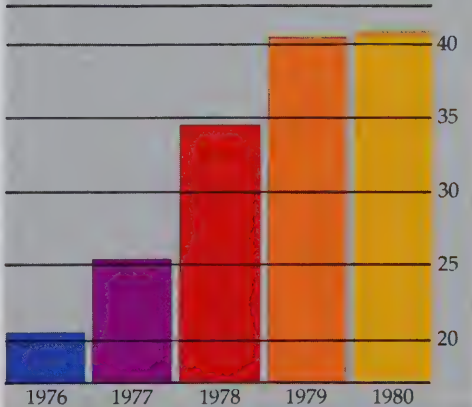


## Net Income

In view of reduced landings, level sales, reduced margins, inflation and increased interest costs, net income declined to \$2,484,000 in the period.

## Shareholders' Equity

(in millions of dollars)

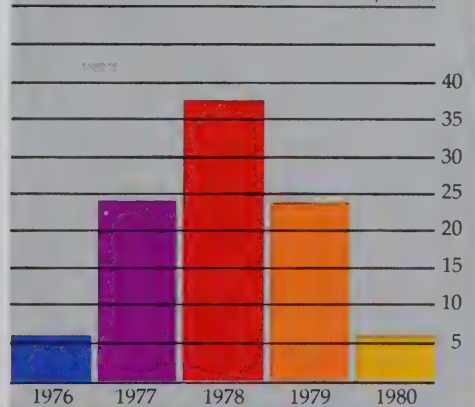


## Shareholders' Equity

Shareholders' equity increased slightly to \$41,513,000.

## Return Declines

(in per cent)



## Return on Average Common Shareholders' Equity

The return on average common shareholders' equity declined to the 1976 level of 6% in the period. The return on average common shareholders equity in the past five years averages 19.3%.



## Consolidated Statement of Income

For the fifty-three weeks ended  
January 3, 1981  
(with comparative figures for the  
fifty-two weeks ended  
December 29, 1979)

(in thousands of dollars)	1980	1979
Net sales	\$ 274,447	\$ 268,057
Cost of sales	238,363	221,858
	36,084	46,199
Selling, general and administrative expenses	22,118	19,523
Interest — on short-term debt	7,448	4,071
— on long-term debt	4,782	2,838
Depreciation	6,283	5,000
	40,631	31,432
Income (loss) from operations before the following	(4,547)	14,767
Share of affiliated companies' net earnings	1,143	190
	(3,404)	14,957
Contribution to Employees' Savings and Profit Sharing Retirement Fund (note 8)	—	1,496
	(3,404)	13,461
Provision for (recovery of) income taxes	(2,353)	5,358
Income (loss) from operations	(1,051)	8,103
Excess of insurance claims over net book value of assets destroyed, net of income taxes of \$1,496	3,535	—
Income before extraordinary item	2,484	8,103
Extraordinary item:		
Recovery of income taxes upon application of prior periods' losses	—	400
Net income for the period	\$ 2,484	\$ 8,503
Earnings per common share:		
Income before extraordinary item	\$0.51	\$1.72
Net income for the period	\$0.51	\$1.81

## Consolidated Statement of Retained Earnings

(in thousands of dollars)	1980	1979
Balance, beginning of period	\$ 30,384	\$ 23,841
Add net income for the period	2,484	8,503
	32,868	32,344
Dividends:		
Preference	106	106
Common	1,854	1,854
	1,960	1,960
Balance, end of period	\$ 30,908	\$ 30,384

See accompanying notes



# Consolidated Statement of Changes in Financial Position

For the fifty-three weeks ended  
January 3, 1981  
(with comparative figures for the  
fifty-two weeks ended  
December 29, 1979)

(in thousands of dollars)	1980	1979
<b>Source of Funds</b>		
Income (loss) from operations	\$ (1,051)	\$ 8,103
Add charges not represented by cash outlay during the period:		
Depreciation	6,283	5,000
Portion of tax provision applicable to future periods	(2,603)	4,628
	2,629	17,731
Deduct:		
Increase in equity in undistributed income of affiliated companies	1,143	190
Total funds provided from operations	1,486	17,541
Proceeds from insurance claims on assets destroyed less mortgage payments of \$985 and deferred income taxes of \$1,496	4,351	—
Recovery of income taxes upon application of prior periods' losses	—	400
Total funds provided from operations, unusual and extraordinary items	5,837	17,941
Disposal of fixed assets	326	94
Total funds provided	6,163	18,035
<b>Application of Funds</b>		
Additions to fixed assets:		
Trawlers	18,318	12,754
Land, buildings, wharves and equipment	10,689	21,409
	29,007	34,163
Less federal grants of \$421 (1979— \$2,635) and mortgage proceeds	23,806	27,450
	5,201	6,713
Dividends paid	1,960	1,960
Reduction in long-term debt	4,698	4,075
Increase in other assets	1,923	1,915
Total funds applied	13,782	14,663
Increase (decrease) in working capital	(7,619)	3,372
Working capital, beginning of period	20,834	17,462
Working capital, end of period	\$ 13,215	\$ 20,834

See accompanying notes



# Consolidated Balance Sheet

National Sea Products Limited  
(Incorporated under the laws of the Province  
of Nova Scotia)

	January 3, 1981	December 29, 1979
(in thousands of dollars)		
<b>Assets</b>		
Current:		
Cash	\$ 172	\$ 170
Accounts receivable — trade	27,990	27,187
Accounts receivable — insurance claims, fishermen and other	9,632	5,250
Income taxes recoverable	509	1,293
Inventories of marketable products and supplies	66,646	66,053
Prepaid expenses	1,573	2,075
Total current assets	106,522	102,028
Fixed (note 2)	88,676	68,500
Other:		
Investments in shares of affiliates	11,160	9,021
Sundry investments and other assets	2,557	1,630
	13,717	10,651
	<u>\$ 208,915</u>	<u>\$ 181,179</u>

On behalf of the Board:  
H. B. Rhude, Director  
W. O. Morrow, Director



	January 3, 1981	December 29, 1979
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(in thousands of dollars)

## Liabilities and Shareholders' Equity

### Current:

Bank indebtedness (note 3)	\$ 67,800	\$ 55,139
Accounts payable and accrued charges	19,384	21,819
Income taxes payable	1,111	529
Current instalments on long-term debt	5,012	3,707

Total current liabilities	93,307	81,194
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Long-term debt (note 3)	62,307	44,605
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Deferred income taxes	11,788	14,391
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### Shareholders' equity:

Share capital (note 4)	8,869	8,869
Contributed surplus	1,736	1,736
Retained earnings	30,908	30,384
	41,513	40,989

\$ 208,915	\$ 181,179
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## January 3, 1981

See accompanying notes



# Notes to Consolidated Financial Statements

## 1. Significant accounting policies

### (a) Basis of consolidation

The accompanying financial statements consolidate the accounts of the company and all its subsidiaries.

### (b) Foreign exchange translation

The financial statements of foreign subsidiaries and affiliates have been translated into Canadian dollars as follows: current assets and current liabilities at exchange rates prevailing at the end of the period; non-current assets, long-term debt and depreciation provisions on the basis of rates in effect at the date of acquisition; income and expenses (other than depreciation provisions) at average exchange rates prevailing during the period. Translation adjustments resulted in gains included in consolidated income of \$615,000 (1979 — \$181,000).

### (c) Inventory valuation

Inventories are valued at the lower of cost and net realizable value with cost determined principally on a FIFO (first-in first-out) basis.

### (d) Fixed assets

Fixed assets are carried at cost. Depreciation of fixed assets is provided the straight-line basis at the following rates per annum:

Brick buildings	4%
Wooden buildings and wharves	5%
Machinery and equipment	5% and 10%
Trawlers	8% for 5 years and 6% for next 10 years
Other	10% and 25%

### (e) Investments in shares of affiliates

These investments represent companies in which National Sea Products Limited has a significant influence and are carried at its equity in their net assets; current income is recognized on the basis of its share of their net earnings as reported.

### (f) Sundry investments

Sundry investments are carried at cost. Income from these investments is included in income for the period only to the extent of dividends received.

### (g) Recognition of investment tax credits

Investment tax credits are used to reduce the provision for income taxes in the year in which the tax liability is reduced.

## 2. Fixed assets

	1980	1979
Land	\$ 1,766,000	\$ 1,525,000
Buildings, wharves and equipment	73,065,000	65,753,000
Trawlers	50,889,000	33,326,000
	<u>125,720,000</u>	<u>100,604,000</u>
Less accumulated depreciation:		
Buildings, wharves and equipment	27,730,000	25,374,000
Trawlers	20,580,000	18,830,000
	<u>48,310,000</u>	<u>44,204,000</u>
Trawlers under construction (note 8 (a))	11,266,000	12,100,000
	<u>\$ 88,676,000</u>	<u>\$ 68,500,000</u>

## 3. Debt

### (a) Current

	1980	1979
Bank indebtedness	<u>\$67,800,000</u>	<u>\$55,139,000</u>

A \$50,000,000 first floating charge debenture on accounts receivable and inventories is pledged as security for the bank indebtedness.



**(b) Long-Term**

Trawler mortgage loans, interest rates averaging 8.8%, maturity dates from 1981 to 1992	\$ 8,716,000	\$10,305,000
Trawler mortgage loan, interest rate at 14 <sup>7</sup> / <sub>8</sub> %, due 1982 to 1994 (U.S. \$15,100,000)	17,995,000	—
Interim new trawler financing (note 8 (a))	9,051,000	10,616,000
Mortgage loans on land, buildings, wharves and equipment, interest rates averaging 9.2%, maturity dates from 1984 to 1994	16,601,000	12,205,000
Mortgage, interest rates escalating from bank prime to 1 <sup>1</sup> / <sub>4</sub> % premium above the bank prime lending rate, due quarterly to 1994	5,225,000	5,500,000
Bank indebtedness secured by floating charges on the Company's assets, interest rates averaging <sup>3</sup> / <sub>4</sub> of 1% above the bank prime lending rate, due 1981 to 1986	8,781,000	8,719,000
Unsecured 6 <sup>3</sup> / <sub>4</sub> % Subordinated Sinking Fund Debentures Series "A" due 1981	950,000	967,000
	<u>67,319,000</u>	<u>48,312,000</u>
Less current instalments	<u>5,012,000</u>	<u>3,707,000</u>
	<u>\$62,307,000</u>	<u>\$44,605,000</u>

Principal payments required in each of the next five fiscal periods:

1981	\$5,012,000
1982	5,487,000
1983	5,941,000
1984	5,799,000
1985	5,810,000

These payments include instalments on \$18,100,000 new trawler financing, commencing in 1981 (note 8 (a)).

**4. Share capital**

	Authorized Shares	Issued and Outstanding	
		Shares	\$
5 <sup>1</sup> / <sub>2</sub> % Class C and	600,000		
5 <sup>1</sup> / <sub>2</sub> % Class D	400,000		
cumulative redeemable convertible preference shares of the par value of \$5 each, redeemable at par		385,875	\$ 1,929,375
Subordinated redeemable preference shares of the par value of \$1 each, redeemable at par	1,025,546	—	—
Class A and	9,000,000		
Class B	9,000,000		
convertible common shares without nominal or par value		4,635,216	6,939,523
			<u>\$ 8,868,898</u>

The Class A and Class B convertible common shares are inter-convertible at the option of the shareholder on a one-for-one basis and rank equally with respect to dividends and in all other respects. Similarly, the Class C and Class D convertible preference shares are inter-convertible at the option of the shareholder on a one-for-one basis and rank equally with respect to dividends and in all other respects.



## 5. Income taxes

(a) Tax reductions of \$21,000 (1979 — \$158,000) have been reflected to give effect to the investment tax credit utilized by the Company.

The provision for income taxes includes a reduction of \$559,000 (1979 — \$358,000) resulting from application of the 3% inventory allowance under the Income Tax Act.

(b) The Company has potential tax benefits resulting from tax losses for filing purposes of approximately \$1,230,000 which have not been recognized in the financial statements. These losses expire as follows:

1982	\$346,000
1984	884,000

(c) Investment tax credits of approximately \$2,911,000 are available to offset future Canadian income tax liabilities and expire as follows:

1984	\$1,447,000
1985	1,464,000

## 6. Segmented information

The Company's operations comprise one line of business. This relates to the seafood processing industry and principally involves purchasing or catching, processing and marketing seafood.

Operations and identifiable assets by geographic region for the period ended January 3, 1981 are as follows:

	Canada	U.S.	Total After Eliminations
Net sales to customers			\$ 274,447,000
— domestic	\$ 131,250,000	\$ 87,118,000	
— international	55,406,000	—	
Inter-segment sales	36,330,000	4,484,000	
Total net sales	<u>\$ 222,986,000</u>	<u>\$ 91,602,000</u>	<u>\$ 274,447,000</u>
Segment contribution to income	<u>\$ 9,478,000</u>	<u>\$ 2,072,000</u>	\$ 13,166,000
Other expenses not precisely allocable			(17,713,000)
Share of affiliated companies' net earnings			1,143,000
Recovery of income taxes			2,353,000
Excess of insurance claims over net book value of assets destroyed, net of income taxes			3,535,000
Net income for the period			<u>\$ 2,484,000</u>
Assets	<u>\$ 169,033,000</u>	<u>\$ 39,882,000</u>	<u>\$ 208,915,000</u>

## 7. Related Party Transactions

The Company purchases product from affiliates on the same terms as transactions with unrelated parties. These purchases amounted to 3.2% of the Company's cost of sales for the period.



## 8. Commitments

- (a) The Company has contracted for the construction of three stern trawlers at a net cost to the Company of \$21,100,000. Mortgage loans in the amount of \$18,100,000 repayable over 15 years have been arranged. Interim financing during construction is set out as part of long-term debt.
- (b) An unfunded liability of \$470,000 for an executive and management pension plan is being funded and amortized by the Company in equal annual amounts to 1990.
- (c) Employees of the Company meeting specified eligibility requirements may participate in an Employees' Savings and Profit Sharing Retirement Fund covering employees of the Company and its subsidiaries. Participation in the Plan requires a contribution from the employee. The Company contributes an amount equal to 10% of its consolidated income before non-operating income and income taxes.
- (d) Operating lease commitments approximate \$800,000 per year over each of the next five years and result principally from office premises' leases.

## 9. Comparative figures for 1979

Certain of the 1979 figures have been reclassified to conform to the classifications adopted in 1980.

# Auditors' Report

To the Shareholders of  
National Sea Products Limited:

We have examined the consolidated balance sheet of National Sea Products Limited as at January 3, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the fifty-three weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 3, 1981 and the results of its operations and the changes in its financial position for the fifty-three weeks then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.



Halifax, Canada  
February 20, 1981

Chartered Accountants



# Comparative Financial Information for 1976-1980

(all amounts are expressed in thousands,  
except as indicated +)

	1980	1979	1978	1977	1976 (unaudited)
Working Capital	\$ 13,215	20,834	17,462	13,429	10,789
Plant, Equipment, Trawlers and other Fixed Assets after Depreciation	\$ 88,676	68,500	42,066	36,338	35,451
Total Assets	\$ 208,915	181,179	122,876	90,881	85,297
Accumulated Deferred Income Taxes	\$ 11,788	14,391	9,763	8,489	7,664
Long Term Debt	\$ 62,307	44,605	23,865	22,324	23,375
Shareholders' Equity:					
Preference Shares	\$ 1,929	1,929	1,929	1,929	1,929
Common Shares	\$ 6,940	6,940	6,940*	4,846	4,846
Contributed Surplus	\$ 1,736	1,736	1,736	1,736	1,736
Retained Earnings	\$ 30,908	30,384	23,841	16,932	12,422
Total Shareholders' Equity	\$ 41,513	40,989	34,446	25,443	20,933
Additions to Plant, Equipment, Trawlers and other Fixed Assets during the year	\$ 29,007	34,163	10,296	5,207	5,993
Fish Landings (lbs)	295,000	319,000	301,000	232,000	220,000
Net Sales	\$ 274,447	268,057	217,481	164,659	127,066
Depreciation	\$ 6,283	5,000	4,489	4,142	4,023
Income Taxes	\$ (2,353)	5,358	7,796	3,009	1,084
Net Income	\$ 2,484	8,503	10,623	5,154	1,199
Dividends on Preference Shares	\$ 106	106	106	106	106
Dividends on Common Shares	\$ 1,854	1,854	3,608*	538	—
Earnings Retained in Business for Expansion	\$ 524	6,543	6,909	4,510	1,093
Earnings per Common Share:					
Before extraordinary items	+\$ 0.51	1.72	2.34	1.09	0.17
After extraordinary items	+\$ 0.51	1.81	2.34	1.13	0.24
Common Dividends paid per share — Class A	+ 40.0c	40.0c	79.3c*	12.0c	—
Common Dividends paid per share — Class B.	+ 40.0c	40.0c	74.4c*	12.0c	—
Earnings as a Percentage of Sales	+ 0.9%	3.2%	4.9%	3.1%	0.9%
Cash Flow per average number of Common Shares Outstanding	+\$ 1.24	3.85	3.74	2.15	1.23
Number of Common Shares Outstanding at Year End	+ 4,635,216	4,635,216	4,635,216	4,485,693	4,485,693

\*46.7c per share (\$2,094,000) of the common dividends paid was reinvested in additional common shares through a rights offering.

Cash flow figures for 1976 through 1979 have been restated so as to be consistent with the basis of calculation adopted in 1980.



## Corporate Directory

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### Board of Directors

H. P. Connor, *Halifax, N.S.*  
F. M. Covert, *Q.C., Halifax, N.S.*  
J. B. Estey, *Loggieville, N.B.*  
J. W. E. Mingo, *Q.C., Halifax N.S.*  
J. B. Morrow, *Lunenburg, N.S.*  
W. O. Morrow, *Halifax, N.S.*  
H. B. Nickerson, *North Sydney, N.S.*  
J. E. A. Nickerson, *North Sydney, N.S.*  
C. C. Pratt, *St. John's, Nfld.*  
H. B. Rhude, *Q.C., Halifax, N.S.*  
The Hon. H. J. Robichaud,  
*Fredericton, N.B.*  
F. W. Russell, *St. John's, Nfld.*

### Officers and Senior Management

H. B. Rhude, *Q.C.*  
*Chairman of the Board*  
W. O. Morrow  
*President and Chief Executive Officer*  
J. B. Morrow  
*Senior Vice President*  
I. H. Langlands  
*Vice President*  
J. A. Tupper  
*Vice President*  
M. L. Pitman  
*Vice President — Finance*  
E. H. Demone  
*Vice President — Fleet*  
J. P. McNeil  
*Vice President — Marketing, Canada*  
A. J. Roche  
*Vice President*  
F. C. Hart  
*Vice President — International Marketing*  
F. D. McGee  
*Secretary and Company Solicitor*  
S. J. Campbell  
*Assistant Secretary*  
O. P. O'Rourke  
*Treasurer*  
I. R. Whitman  
*Marketing Services Manager*  
G. D. Southwood  
*Comptroller*  
I. C. McDermaid  
*President, McDermaid Agencies Limited*  
D. J. Mosher  
*President, Scotia Trawler Equipment Limited*  
J. H. Rigg\*  
*President and Managing Director,*  
*Hamilton Insurance Brokers Limited*  
*and Subsidiary Companies*  
K. H. Ritcey  
*President, National Sea Products (U.S.)*  
*Corp. Limited and National Sea Products Inc.*

### Executive Committee

J. W. E. Mingo, *Q.C. Chairman*  
W. O. Morrow  
J. B. Morrow  
H. B. Nickerson  
J. E. A. Nickerson

### Audit Committee

J. B. Estey, *Chairman*  
F. M. Covert, *Q.C.*  
F. W. Russell  
W. O. Morrow (*ex-officio*)  
M. L. Pitman (*ex-officio*)

### Subsidiary Companies

National Sea Products (U.S.) Corp.  
Limited  
*Tampa, Florida*  
National Sea Products Inc.  
*Rockland, Me.*  
Natlake Limited  
*Burgo, Nfld.*  
McDermaid Agencies Limited  
*Halifax, N.S.*  
Scotia Trawler Equipment Limited  
*Lunenburg, N.S.*

### Affiliated Companies

Hamilton Insurance Brokers Limited  
Cambridge Reinsurance Limited  
Canadian International Insurance  
(Management) Limited  
*Hamilton, Bermuda*  
Burgo Seafoods Limited  
*Burgo, Nfld.*  
Interocean Limited  
*Halifax, N.S.*  
Fisheries Resource Development  
Limited  
*Dartmouth, N.S.*

### Auditors

Clarkson Gordon  
*Chartered Accountants*

### Transfer Agents

Common Shares  
Montreal Trust Company  
Preference Shares  
The Company, Secretary's Office  
P.O. Box 2130, Halifax, N.S.

### Bankers

The Royal Bank of Canada  
The Bank of Nova Scotia  
The Toronto-Dominion Bank



## Plant Locations

**Digby Division,**  
Nova Scotia

**Lockeport Division,**  
Nova Scotia

**Lunenburg Division,**  
Nova Scotia

**Halifax Division,**  
Nova Scotia

**Louisbourg Division,**  
Nova Scotia

**North Sydney Division,**  
Nova Scotia

**Pictou Division,**  
Nova Scotia

**Shediac Division,**  
Shediac, New Brunswick  
Summerside, Prince Edward Island  
Morell, Prince Edward Island  
Deer Island, New Brunswick

**Shippegan Division,**  
New Brunswick

**Charlottetown Division,**  
Prince Edward Island

**Magdalen Islands Division,**  
Amherst, Quebec  
Grand-Entrée, Quebec

**St. John's Division,**  
Newfoundland

**Newfoundland Inshore Fisheries Division,**  
Arnold's Cove, Newfoundland  
Lark Harbour, Newfoundland  
Piccadilly, Newfoundland

**LaScie Division,**  
Newfoundland

**Burgeo Seafoods Limited,**  
Newfoundland

**Scotia Trawler Equipment Limited,**  
Lunenburg, Nova Scotia

**National Sea Products Inc.,**  
Rockland, Maine

**National Sea Products (U.S.) Corp.,**  
Tampa, Florida

